

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 3398 - SB 3599**

February 26, 2010

**SUMMARY OF BILL:** Authorizes the sale of alcoholic beverages in the unincorporated areas of any county having approved the sale of alcoholic beverages for on-premises consumption by local option election in a county-wide referendum.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue - \$9,600/FY10-11/ABC Fund  
\$960,000/FY10-11/General Fund  
\$14,700/FY11-12/ABC Fund  
\$1,950,000/FY11-12 and Subsequent Years/General Fund  
\$9,800/FY12-13 and Subsequent Years/ABC Fund**

**Increase State Expenditures – Not Significant**

**Increase Local Revenue – \$128,000/FY10-11/Permissive  
\$260,000/FY11-12 and Subsequent Years/Permissive**

**Increase Local Expenditures – Not Significant/Permissive**

**Assumptions:**

- This bill will apply to 87 counties. Six counties do not allow the sale or consumption of alcoholic beverages. Two counties (Knox and Shelby) have a charter form of government and are already authorized to sell alcoholic beverages for on-premises consumption in unincorporated areas.
- According to the Alcoholic Beverage Commission (ABC), there are six establishments licensed to serve liquor-by-the-drink in the unincorporated areas of Knox County and five establishments in the unincorporated areas of Shelby County.
- Based on information provided by the Department of Revenue (DOR) and the ABC, there will be 32 new licenses issued in FY10-11; and 33 new licenses issued in FY11-12. All 32 licenses issued in FY10-11 will renew in FY11-12 and all 65 licenses will renew in FY12-13 and subsequent years.
- The application fee for each license is \$300 and the minimum annual renewal fee is \$150.
- The increase of state revenue to the ABC Fund is estimated to be \$9,600 in FY10-11 (\$300 x 32); the increase is estimated to be \$14,700 in FY11-12 [(\$300 x 33) + (\$150 x

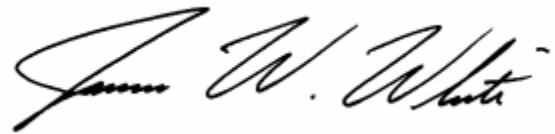
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32)]; and the increase is estimated to be approximately \$9,800 in FY12-13 and subsequent years (\$150 x 65).

- Based on information provided by DOR, each license will generate approximately \$30,000 in state sales tax revenue and \$4,000 in local option sales tax revenue. Therefore, there will be an increase to state sales tax revenue of \$960,000 in FY10-11 (\$30,000 x 32); and an increase of \$1,950,000 in FY11-12 and subsequent years (\$30,000 x 65).
- The increase to local option sales tax revenue is estimated to be \$128,000 in FY10-11 (\$4,000 x 32); the increase to local option sales tax revenue is estimated to be \$260,000 in FY11-12 and subsequent years (\$4,000 x 65).
- ABC will not require additional resources to accept and handle additional licenses.
- Local government will not require additional resources to manage new licenses.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

/agl